



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Cache Valley Banking Company and its subsidiary Cache Valley Bank

Person to be contacted regarding this report:	Gregg Miller
CPP Funds Received:	\$9,407,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	12/23/2008
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	2324997
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	22134
City:	Logan
State:	Utah

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	The bank has entered into a new market where community banks have been closed. Skilled personnel have been hired from a competing institution with lending skills and market knowledge. Total loans have increased on average 23% from this time last year.
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<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	Small business real estate loans have increased 33%. Small business operating and equipment loans 2%. Agricultural loans 10% and consumer loans 9%. Mortgage loans originated and sold to the secondary market also increased, however, this may reflect the impact of interest rates.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	
<input checked="" type="checkbox"/>	Make other investments	The bank has been able to purchase a branch location in a new market from a failed institution. Loans being sold by the FDIC have been purchased that have allowed two local builders to work with the bank to liquidate those properties.
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	The reserve for loan losses has increased 19% from March 2009 to March 2010 to cover the increase in bank lending.

<input type="checkbox"/>	Reduce borrowings	
<input type="checkbox"/>	Increase charge-offs	
<input checked="" type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	The bank entered into an agreement with the FDIC to aid in closing a failed institution. This resulted in increasing the bank's deposit base in a new market which has provided the funding to expand the loan portfolio and leverage in a reasonable manner the additional capital.
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

We entered this program in 2008 when the world was very uncertain based on the encouragement of our regulators. They represented that only healthy banks would be given funding under this program and if you did not obtain funding it could be viewed as being negative. We applied and were quickly approved. After we were in the program, the negative sentiment concerning recipients of the supposed bailout began appearing. We viewed our participation as an insurance policy against the uncertainties that existed in the market at that time. We also determined that it would be good to have the capital to take advantage of opportunities that could develop. In May 2009, we did participate in the liquidation of a failed institution with the FDIC which allowed us to enter into a new market. At that same time, we hired very skilled individuals to strengthen our management from a competing institution that was struggling. This move has opened numerous opportunities for us to grow. We also have purchased a few loans being sold by the FDIC. We have entered into arrangements with builders in our area to complete and sale these projects which hopefully will allow them to have profitable work during this difficult real estate market. In early 2009, the bank was considering curtailing lending because of a liquidity concern and as a precautionary measure due to the bleak economy. The capital infusion allowed us to move forward rather than retrench. Hopefully, this will prove to be a positive thing as the bank has increased its customer base at the expense of other institutions that have struggled.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

We have been able to participate in the closing of a bank which allowed us to pick up a deposit base which we would not have had. This deposit base provided the liquidity to expand our lending activities and should produce additional profits as the capital is leveraged. The bank was also able to expand its management team providing succession management as well as management depth. The bank's small business portfolio has expanded during the year as a number of small businesses either transferred to the bank or chose the bank after their existing bank was closed. We recognize that the market place would have provided alternatives to these businesses. We do not believe that any of these customers could not have found an institution to provide the services that we have provided. But, we may have been limited in what we could have done due to limited liquidity if we had not received the capital infusion. We also have been able to support several builders in our market who have been able to stay busy selling entry level homes during this time period. Businesses in this market segment have really suffered because of the down turn and have not had a number of options for funding. There activity has filtered down to subcontractors in the building trades who are also small businessmen that bank with us. We have also been able to grow the number of relationships we have with local agricultural producers and ranchers in this area. Because we have had a very strong balance sheet and have not suffered from regulatory concerns we have been able to work several small manufacturers as they have had to work through some very slow times. The capital has allow us to be a sound financial partner that did not have to curtail our support when some customers have needed it most.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

We believe we have explained adequately the list of activities we have undertaken during the past year due to the CPP funding in the earlier sections of this request. The bank has been successful this past year. Much of the fear in the market that existed when we enter the program has dissipated during the year. However the original purpose of having the capital as an insurance policy remains viable in the slippery economic environment in which we continue to operate. We believe we have been prudent stewards of the public's trust in us. The injection of this capital into the Northern Utah market has been needed at this time. The bank continues to have a sound balance sheet and remains profitable. The investment by the Treasury in the bank will be returned with a reasonable profit for the government while having aided the communities we serve.